

FISCAL NOTE

SB 3819 - HB 3358

March 4, 2008

SUMMARY OF BILL: Requires the Department of Labor and Workforce Development (LWFD) to pay rewards to citizens providing tips leading to the criminal prosecution of individuals filing fraudulent unemployment claims. LWFD would be required to report such payments annually to the Senate Commerce, Labor, and Agriculture Committee and the House Commerce Committee. Provides for restriction of future benefits and civil penalties for fraudulent claims. Requires disqualification from benefit eligibility for individuals discharged from employment for dishonesty including any Class A misdemeanor or felony crime. Provides a criminal penalty equivalent to the criminal penalty for theft as defined in Tenn. Code Ann. § 39-14-105 based upon the value of the benefits obtained through false statement or representation. Requires suspension and modification of benefit eligibility for individuals guilty of excessive tardiness or absenteeism. Requires employers to follow certain guidelines concerning tardiness and absenteeism policies. Requires hearing officers to rule by default against any party failing to appear for a scheduled hear without good cause. Requires LWFD to establish a system notifying employers of claims via e-mail and to allow employers to respond electronically.

ESTIMATED FISCAL IMPACT:

**Increase State Expenditures - \$ 672,400/One-Time
\$2,053,300/Recurring
\$13,800/Incarceration***

**Decrease State Revenue - \$1,000,000/
Unemployment Compensation Trust Fund**

Other Fiscal Impact – There will be an increase in expenditures associated with award payouts under the provisions of the bill. The bill does not specify the amount of such awards or from what fund they are to be paid. The amount of such increase is estimated to be less than \$100,000 based upon a low number of convictions for such violations.

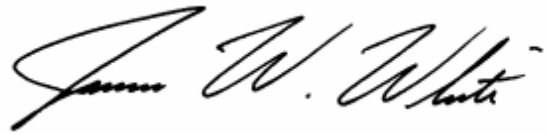
Assumptions:

- LWFD will require systems changes resulting in a one-time increase in state expenditures of \$503,000. Recurring maintenance charges for such systems are estimated to be \$8,400.
- LWFD will require 27 additional positions to carry out the provisions of the bill. The recurring increase in state expenditures associated with these positions is estimated to be \$1,237,900 for salary (\$750,500), benefits (\$255,200), travel (\$81,000), printing (\$8,100), office space (\$72,900), phones (\$16,200), office supplies (\$8,100), network connections (\$32,400) and an annual contribution to the equipment replacement fund (\$13,500). The one-time increase in state expenditures for office landscaping (\$97,200) and PC's (\$54,000) for the new positions is estimated to be \$151,200.
- LWFD located approximately \$5,200,000 in overpayments in the 2007 calendar year. Approximately \$3,000,000 of that sum was recovered. Approximately \$1,000,000 of the recovered funds were recovered through benefit offsets. The bill prohibits such offsets. This will result in a decrease in state revenue of approximately \$1,000,000.
- LWFD personnel will need to be trained at a one-time approximate cost of \$14,700 for a total of 21 training sessions statewide.
- LWFD will need to produce 347 new Employment Security manuals at a one-time cost of approximately \$3,500.
- LWFD will be required to conduct a public awareness campaign for the reward program. Assuming a campaign of similar size to the Cover Kids back-to-school program, there will be a recurring increase in state expenditures of approximately \$807,000.
- One offender will receive a sentence elevated from a Class A misdemeanor to a Class E felony and will serve 0.3 years (109.58 days). According to the Department of Correction, the average operating cost per inmate per day for calendar year 2008 is \$62.78. The cost per inmate at 0.3 years is \$6,879.43 (\$62.78 x 109.58 days).
- One offender will receive a sentence elevated from a Class E to a Class D felony and will serve an additional 0.3 years (an increase from 0.3 years to 0.6 years). The cost per inmate at 0.3 years is \$6,879.43 (\$62.78 x 219.15 days). The additional cost from increasing the average sentence length from 0.3 years to 0.6 years is \$6,878.81 (\$13,758.24 - \$6,879.43).
- The federal government may authorize that any systems changes and personnel costs associated with this bill are a necessary expenditure. If such determination is made, any increase in state expenditures associated with such increases will be funded by the federal government through the Employment Security Administration fund. However, since no such determination has been made by the federal government at this time, the assumption has been made that any such expenditure will be from the General Fund.

**Tennessee Code Annotated, Section 9-4-210, requires that: For any law enacted after July 1, 1986, which results in a net increase in periods of imprisonment in state facilities, there shall be appropriated from recurring revenues the estimated operating cost of such law. The amount appropriated from recurring revenues shall be based upon the highest cost of the next 10 years.*

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "James W. White". The signature is fluid and cursive, with the first name "James" written in a smaller, more compact script than the last name "White".

James W. White, Executive Director

/cce